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DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

### *The Economic Situation in South Vietnam* (Biweekly)

State Dept. review completed

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence

The Economic Situation in South Vietnam

Summary

During 1969 the distribution of government-owned land to farmers reached a level not equalled since 1961. Since the National Assembly still has not passed the reform bill that would eliminate tenancy on privately owned land, the government has decided to extend last year's decree on land tenure. This decree allows all tenant farmers and squatters in newly pacified areas to remain on the land they are cultivating without paying rent or taxes; in other areas landlords are prohibited from increasing the amount of rent collected.

An enemy document recently captured in Quang Tin Province gives the first indication that the Viet Cong plan to counterfeit US currency. The same document indicates that VC cadre also are selling marijuana to obtain revenue.

Data on Saigon retail prices and black market currency rates in January are not yet available.

ANNEX: South Vietnam Economic Indicators (charts)

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## Land Distribution and Reform

1. While awaiting legislative approval of a new land reform program, the Government of Vietnam has continued to distribute land it acquired during 1956-61 by expropriation from Vietnamese large land-owners and by purchase from French citizens. Although falling far short of its goal, the government distributed more land to farmers in 1969 than in any year since 1961. In addition, about 50 percent more farmers received formal titles to their land during 1969 than during the entire previous history of land reform in South Vietnam.

2. During 1956-61 the government acquired 682,000 hectares\* of land, most of which was rice land. This amount is equivalent to about 30 percent of the rice-cultivated area in the country. Distribution of the land to new owners, however, has been extremely slow. (Land is considered to have been distributed when the farmer's application has been approved by the village government and he stops paying rent to the government.) By the end of 1968 only about 295,000 hectares, or less than 45 percent, of the total had been distributed, and most of that was distributed prior to 1962. The government hoped to transfer ownership of 147,000 hectares during 1969, but succeeded in distributing only 75,000 hectares. Most of the distribution took place during the last half of the year, primarily reflecting the suspension in July of payment for the purchase of government land and the hiring of additional personnel to work on land matters at the village level. This latter factor, as well as the use of a computer to print land titles, also was responsible for the large increase in the number of farmers receiving formal titles during 1969.

3. US officials expect that the remainder of the government-owned land that is cultivated--about 90,000 hectares--can be distributed during 1970. As shown in the following tabulation, about two thirds of the undistributed government-

\*One hectare equals approximately 2.5 acres.

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owned land is largely unsuitable for cultivation and probably will not be distributed.

Status of Expropriated and Former French-held Lands  
as of 31 December 1969  
(000 hectares)

Distributed	370
Undistributed:	
Cultivated	90
Uncultivated	222
TOTAL	<u>682</u>

4. The new land reform program submitted by President Thieu to the National Assembly in July 1969 involves approximately one million hectares of privately owned land. This land is to be given free to the tenant farmers and squatters now cultivating it, and landlords will be compensated by the government. In September the Lower House passed its own version of the bill, but the Senate has yet to consider a version drafted by its agriculture committee. It is difficult to anticipate when or in what shape a land reform program will emerge from the legislative process. US officials in Saigon remain optimistic that a bill similar to Thieu's will result, but many more weeks may pass before it does.

5. In the meantime, the government has decided to extend for six months the current freeze on occupancy, rents, and taxes. In February 1969, the government decreed that in newly pacified areas tenants would be permitted to remain on the land they were cultivating for at least one year and that no collection of back or current rents or taxes would be allowed during that period. This policy was extended to tenants in all areas of the country in April 1969 with the proviso that rents could continue to be collected but could not be increased. There has been no indication of how the decree is being

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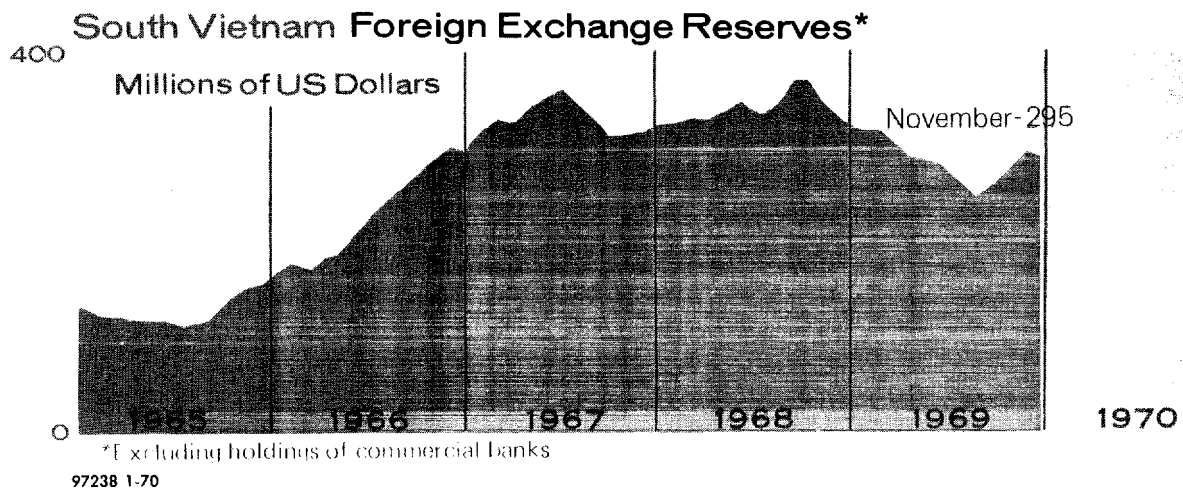
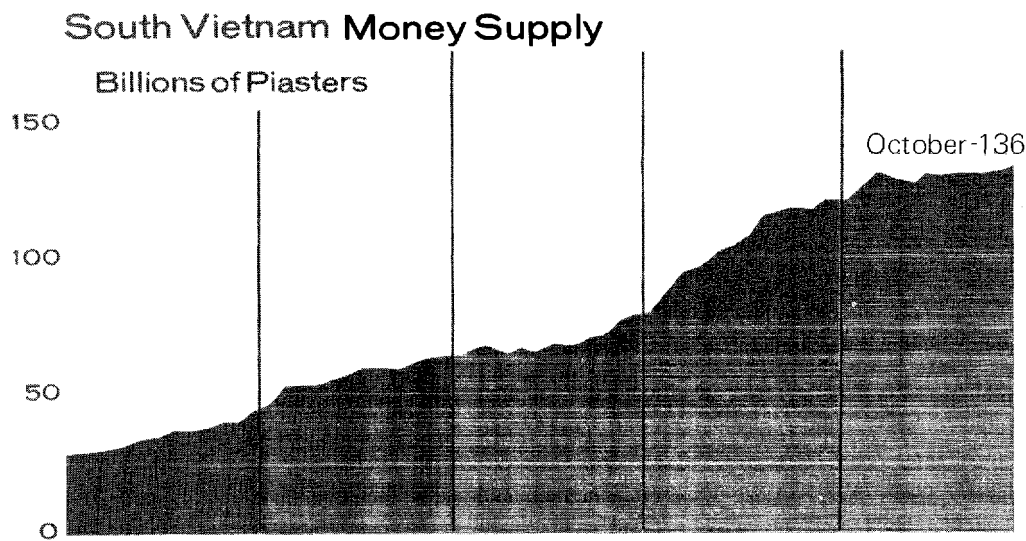
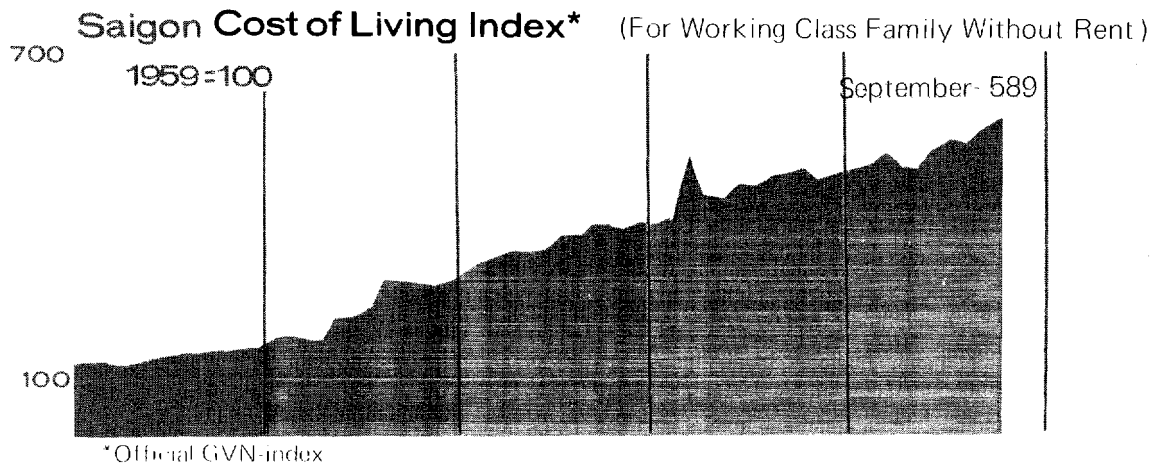
implemented. In the past land taxes have been negligible and rents have varied greatly depending on the degree of GVN control. Whatever the extent of implementation, however, if the freeze were allowed to expire, the sincerity of the government's desire for land reform would be in doubt and landlords would be encouraged to resist the bill in the National Assembly.

#### VC Plans to Counterfeit US Currency and Sell Marijuana

6. According to a document captured in Quang Tin Province, the Viet Cong in late 1969 planned to begin using counterfeit US currency and marijuana, probably as sources of revenue. According to a letter dated 26 October 1969, two unidentified recipients were informed by the Viet Cong Military Region 5 Party Committee that US currency was to be counterfeited up to a limit of US \$100 a day. There is no indication that the VC have counterfeited US currency before. The two recipients were also instructed to find a market for merchandise "Z" (possibly marijuana) which was to be provided them. Another letter, dated one day later, informs the same two individuals that a large amount of merchandise "Z" would be provided them. The VC reportedly sold narcotics in Quang Duc Province in early 1969 and may still be selling them there and elsewhere.

7. Though such a scheme could cause some economic disruption, the main, although unstated, aim of VC involvement with counterfeit US currency and marijuana is to obtain revenue. Even though the US currency counterfeited in Quang Tin Province is apt to be crude, it may be acceptable if passed to the local Vietnamese, most of whom are probably unfamiliar with the appearance of real US currency. Because continuing inflation has greatly reduced the value of the GVN piaster, the demand for the more stable US currency by the Vietnamese is great. If only US \$100 is to be passed every day, the VC are less likely to risk exposure of their scheme, but still would gain a considerable amount of piasters to help finance local activities. In the long run, however, the VC may have greater success in selling marijuana.

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